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## INDUSTRIES DEPARTMENT

### NOTIFICATION

The 16th February 2009

SUBJECT—One-time settlement Policy of O.S.F.C. (Extension)

No. 2257—ISI-60/2008-I.—In partial modification of this Department letter No. 3432, dated the 6th March 2007, Government have been pleased to extend the validity period of O.T.S. Policy of O.S.F.C. for a further period of another six months from the date of publication of this notification. This is intended to revive O.S.F.C. by way of reducing Non-performing Assets (N.P.A.). Government expects a large No. of S.S.I. Units to come forward and avail the benefit of the Scheme. This has been approved by the State Cabinet in their 44th-Meeting held on the 1st February 2009 as communicated by the Parliamentary Affairs Department in their Memo. No. 568, dated the 4th February 2009.. A Copy of the One-time Settlement Policy as approved in the Cabinet is enclosed for wide publication.

ORDER—Ordered that the notification be published in the next issue of the Extra Ordinary Gazette of Orissa and copy thereof be forwarded to all Departments of Government/ all Heads of Departments/ Accountant-General (A. & E.), Orissa, Bhubaneswar/all R.D.Cs./Collectors/all General Managers/Project Managers/ M.D., O.S.F.C., Cuttack for information and necessary action.

By order of the Governor

SAURABH GARH

Commissioner-cum-secretary to Government

SUBJECT : One-time Settlement Policy of Orissa State Financial Corporation

- (1) The Orissa State Financial Corporation (O.S.F.C.) was established in the year 1956 under State Financial Corporations (S.F.Cs.) Act, 1951. Since inception, the O.S.F.C. has disbursed loan amounting to Rs. 1305.12 crore covering 28,207 Nos. of units and has recovered Rs. 1617.60 crore till the 31st March 2006.
- (2) In the 52 years of its existence, O.S.F.C. has contributed significantly to the development of small scale industries. However due to a variety of factors including risk financing, O.S.F.C.'s financial position became vulnerable. The low level of recovery caused by high level of sickness in the small scale industries (S.S.I.) sector in the state has resulted in 93% of Non-Performing Assets (N.P.A.) in its loan portfolio. Some other reasons for the financial loss of O.S.F.C. are the high cost of raising funds, catering to a highly diversified sector ranging from Cottage/Handloom Industries to small scale industries that required multiple expertise. The cumulative loss reached as high as Rs. 381.58 crore as on the 31st March 2006. In sequence the net worth of O.S.F.C. stood at (—) Rs.280.19 crore as on the 31st March 2006.
- (3) Keeping in view, the poor financial performance and high level of N.P.As. restructuring package formulated by U.T.I. Bank Ltd. was placed before the State Government and other stakeholders like I.D.B.I., S.I.D.B.I. and other OPublic Financial Institution. The package included restructuring of the debt and settling of the dues under O.T.S. The State Cabinet accorded its approval in its Meeting dated the 8th December 2006.
- (4) The implementation of the restructuring package approved by the Cabinet as aforesaid aims at reduction of N.P.As. In the past, O.S.F.C. had launched several O.T.S. Policies, the last one being in the year, 2005-06. But the response from the loanees were not encouraging mainly on account of poor paying capacity and sickness of the industries. To add to this, the Super Cyclone of October, 1999 damaged large number of industrial units affecting their viability. The Industries Associations have been representing to Government, time & again, for a liberalized O.T.S. Policy. In a meeting chaired by the Hon'ble Chief Minister, Orissa on the 10th May 2006, *inter alia*, it was decided to constitute a Committee of Secretaries under the Chairmanship of Chief Secretary, Orissa to look into the issue, hold discussions with Industries Associations and make appropriate recommendations.
- (5) Accordingly, the Committee of Secretaries under the Chairmanship of Chief Secretary was constituted vide Order No. 9073, dated the 20th December 2006.
- (6) Keeping in mind various O.T.S. Schemes launched by O.S.F.C. in the past, the scope for formulating a suitable and realistic scheme and reaching the imperative need to reduce the level of N.P.A., draft O.T.S. Policy was formulated. This O.T.S. Policy has been approved by the Cabinet held on the 10th December 2006.

(7) Since, the aforementioned O.T.S. Scheme has failed to attract the desired number of S.S.I. units to avail themselves of the O.T.S. Scheme, it is proposed to extend the validity period of the Scheme for a further period of 6 months from the date of Notification. Further, certain amendments as follows are also suggested :—

- (i) Inclusion of Textile sector including handloom, G.S.L. lamps and related industries along with powerloom sector be included in the obsolete category up to a loan of Rs. 20.00 lakh.
- (ii) The formula for loans up to Rs. 5.00 lakh, those between Rs. 5.00 to Rs. 20.00 lakh and also above Rs. 20.00 lakh should continue to be as in the formulae cleared by the Cabinet provided that there shall not be any Principal Rider.
- (iii) As regards loan disbursed after the 31st March 1998, interest be calculated as suggested at 12% up to the 31st March 2003, the same cut off date as applicable to other loans.
- (iv) As regards agency loans, including cyclone loans and R.T.D.M. loans, O.S.F.C. should follow the same eligibility terms and conditions as suggested for term loans in the formula based on age and amount of loan.

(8) The salient feature of the policy is as under :

- The existing loans have been categorized into 5 Bands as against 3 Bands in the earlier scheme of 2005-06, so as to better address the requirement of loanees in each segment.
- Scheme is more liberal for smaller loan accounts, which constitute a large portion of the total loanees in terms of number.
- The scheme having been formulated on liberal norms based on realistic considerations, is expected to evoke good response from loanees and recovery of outstanding dues is expected to be better than that of previous O.T.S. Schemes.

(9) The expected recovery assuming various success rates is as under. The detail of such assessment is as follows :—

| (Rs. in crore)    |                                       |                                      |                                      |                                      |                                      |
|-------------------|---------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Disbursement Band | Settlement amount at 100% achievement | Settlement amount at 75% achievement | Settlement amount at 50% achievement | Settlement amount at 40% achievement | Settlement amount at 25% achievement |
| Up to 25000       | 2.58                                  | 1.94                                 | 1.29                                 | 1.03                                 | 0.65                                 |
| 25000 to 5 lac    | 156.04                                | 117.03                               | 78.02                                | 62.42                                | 39.01                                |
| 5 lac to 20 lac   | 98.26                                 | 73.70                                | 49.13                                | 39.30                                | 24.57                                |
| 20 lac to 50 lac  | 92.85                                 | 69.64                                | 46.43                                | 37.14                                | 23.21                                |
| Above 50 lac      | 98.01                                 | 73.61                                | 49.00                                | 39.21                                | 24.50                                |
| Total             | 447.74                                | 335.82                               | 223.87                               | 179.10                               | 111.94                               |

The above projections are based on the formula of O.T.S. which has been applied to all eligible loanees i.e. all loanees, excluding standard and sub-standard assets as on the 31st March 2006. Applicable formula, segment-wise, were applied to eligible units in each Band of disbursement. The total settlement amount comes to Rs.447.74 crore (at 100% coverage). However such settlement amount of Rs.447.74 crore will vary from Rs. 111.94 crore to Rs. 335.82 crore at different success rates varying from 25% to 75%.

- (10) The amount to be recovered through One-time Settlement will be utilized first for clearance of outstanding dues of State Government payable by O.S.F.C.
- (11) This has been concurred by Finance Department vide U.O.R. No.366-PSF., dated the 28th January 2009.

SAURABH GARG  
Commissioner-cum-Secretary to Government  
Industries Department